

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice PF-116

For: State and County Offices

**Ensuring FY 1999 PFC Payments Are Issued Correctly
for Producers With FAV Acre-for-Acre Reductions**

Approved by: Deputy Administrator, Farm Programs



1 Overview

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Background

Notice PF-111:

- reminded County Offices of the requirements for issuing FY 1999 PFC payments
- advised that the regular and special payment processes will be disabled on October 1, 1999.

A problem has been identified with the regular payment process for producers with **all** of the following conditions:

- producer received payments that reached the producer's effective payment limitation
- a subsequent FAV acre-for-acre payment reduction was recorded which created an overpayment
- the overpayment was transferred to the common receivable system (CRS).

In these cases, the regular payment process is not properly subtracting the receivable that has been established when computing amounts that can be issued for payment limitation purposes.

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Disposal Date

January 1, 2000

Distribution

State Offices; State Offices relay to County Offices

9-17-99

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1 Overview (Continued)

B

Purpose

This notice:

- describes the condition that has been identified
 - identifies actions that shall be taken by County Offices to ensure producers are paid properly before the September 30, 1999, statutory payment deadline
 - advises County Offices:
 - that a software modification is being researched to correct the payment calculation problem
 - of action that shall be taken until the software modification is received.
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2 Payment Calculation Condition

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Explanation of Calculation Problem

Several situations have been questioned regarding FAV acre-for-acre payment reductions for producers that received PFC payment early in the FY. However, to date, only 1 problem with the software has been identified. The payment calculation process is not correctly computing PFC payments for producers with **all** of the following conditions.

- The producer has left money on the table because PFC payments received have reached the “person’s” effective payment limitation.
 - After the maximum payments were issued to the producer, a subsequent FAV acre-for-acre payment reduction was recorded, **for the producer**, which created an overpayment.
 - The overpayment has been transferred to CRS.
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2 Payment Calculation Condition (Continued)

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Example 1

Producer A received \$40,000 on the following 3 farms:

- FSN 120 - \$5,400 earned and paid on wheat
- FSN 1995 - \$16,000 earned and paid on wheat
- FSN 8294 - \$31,600 earned on wheat of which:
 - \$18,600 was paid
 - \$13,000 was left on the table because of payment limitation.

The payments on FSN 8294 were reduced because of payment limitation purposes, resulting in the producer leaving \$13,000 on the table. After all the payments were issued, a FAV acre-for-acre reduction was established on FSN 1995 for \$2,000. The overpayment is subsequently transferred to CRS.

In this case, the regular payment process should recognize a receivable has been established and reduce \$2,000 from the payments previously issued, which would reduce the payments attributable to payment limitation to \$38,000. Since the producer has not received the entire earned payment on FSN 8294, a \$2,000 payment should be computed and issued on FSN 8294.

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Example 2

Producer B received \$40,000 on the following 2 farms:

- FSN 7380 - \$20,044 earned and paid on wheat
- FSN 7412 - \$23,218 earned on wheat of which:
 - \$19,956 paid was paid
 - \$3,262 was left on the table because of payment limitation.

After all the payments were issued, a FAV acre-for-acre reduction was established on FSN 7412 for \$5,588. In this case:

- the amount earned by the producer is \$17,630 (\$23,218 earned minus \$5,588 FAV acre-for-acre) before payment limitation because the FAV acre-for-acre payment reduction is applied before the payment limitation payment reduction
- the overpayment register correctly calculated an overpayment of \$2,326 by taking the amount earned by the producer (\$17,630) and subtracting the amount actually paid to the producer (\$19,956)
- producer is not eligible to receive an additional payment
- producer must refund \$2,326.

Reminder: FAV acre-for-acre payment reductions are applied before payment limitation.

3 County Office Action

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Issuing PFC Payments

For producers that have **all** the conditions described in this notice, County Offices shall manually determine whether producers have received their maximum PFC payments.

Reminder: Payments, overpayments, and FAV acre-for-acre payment reductions are calculated at the farm and crop level.

If the producer is eligible for an additional payment, County Offices shall issue the payment through the special payment process by increasing the calculated payment amount according to 2-PF, paragraph 156.

Note: Use “4” (miscellaneous) when prompted for a reason code.

If the producer has:

- already refunded the money to satisfy the receivable that was established, the payment shall be issued to the producer
 - not refunded the money for the receivable, the payment shall be applied to the receivable.
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Handling Overpayments

Until the overpayment calculation process is corrected, payments issued according to subparagraph A may be listed on the overpayment register. County Offices shall:

- not transfer these overpayment amounts to CRS
- notate on the overpayment register the reason for the overpayment until the software modification is received.

After the software modification to the overpayment process is released, County Offices shall process overpayments according to 2-PF, Part 8.
